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THE URUGUAY ROUND: IMPLICATIONS FOR THE INDONESIAN TEXTILE AND APPAREL SECTOR

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EXECUTIVE SUMMARY
THE URUGUAY ROUND: IMPLICATIONS FOR THE INDONESIAN TEXTILE AND APPAREL SECTOR

INDONESIA'S OFFER. Indonesia has offered to bind all tariffs for textiles and apparel (1805 tariff-lines) at 40 percent. Since no existing tariff is above 40 percent, no change in Indonesia's tariffs will be required. Currently, the average tariff for textiles and apparel is 28 percent.

THE MULTI-FIBER ARRANGEMENT (MFA) WILL BE PHASED OUT. All MFA import quotas maintained by developed countries will be phased out over ten years. All trade in textiles and apparel will then be fully governed by GATT rules. However, importing countries have wide discretion in implementing the Uruguay Round Agreement and most of the benefits for developing countries are not likely to occur until after the year 2000.

Integration. Textile and apparel trade must be integrated into the GATT in four stages. This implies that for integrated products, no quantitative import restrictions will apply and the products will be subject only to bound tariffs. However, importing countries can likely delay integration of sensitive products until the year 2005.

Quota Growth. For products still subject to quotas during the phase-out, quotas are to be increased in three stages. However, most of the increases occur in the next century. For example, most Indonesian quotas in the U.S. market will be 21 percent greater than under the MFA in 1999, but almost 150 percent greater in 2005.

TRADE DISPUTES COULD INCREASE because of: 1) safeguard measures which permit importers to temporarily increase protection; and 2) new obligations on exporters to prevent illegal activities, such as false labeling. Indonesian exports, if illegally shipped through third countries, could decline.

IMPLICATIONS FOR THE ALLOCATION OF INDONESIAN QUOTAS ARE STILL UNCERTAIN since developed countries have not yet submitted product lists for integration and since quota increases depend on existing MFA agreements. Some MFA agreements must still be renegotiated, including Indonesia's agreement with the United States.

In the short-run, Indonesia will benefit most from the expansion of existing MFA quotas. If producers are to take advantage of new export opportunities, Indonesia's quota allocation system must be made more transparent and unused quotas must be allocated quickly. Over the longer term, there will be no need for export quotas in Indonesia. However, existing quota holders will likely pressure the government for continued export controls. This should be resisted.

IMPACT ON THE TEXTILE AND APPAREL INDUSTRIES WILL BE MIXED. Producers for the high-end apparel market will likely benefit from quota expansion. Producers for the middle and low-end apparel markets will face increased competition from producers in low-wage countries. Those who do not restructure and move up-scale may have to exit the industry because of the loss in quota rents.

Besides low wages, future competitiveness will require the ability to meet short delivery schedules and small orders with many styles. This requires efficient trade administration and strong up and downstream industrial linkages. Government policies which indirectly lead to high overhead costs and lengthy delivery times should be streamlined. Protection of upstream industries (e.g. synthetic fibers and textiles) should be reduced in order to strengthen downstream linkages with garment exporters. Upstream industries would also benefit from dutybacks for indirect exports.

THE URUGUAY ROUND:
IMPLICATIONS FOR THE INDONESIAN TEXTILE AND APPAREL SECTOR

The Multi-fiber Arrangement will be phased out, but major benefits for developing countries are unlikely until the next century. Under the Uruguay Round Agreement for textiles and apparel, all import quotas under the Multi-Fiber Arrangement (MFA) will be phased-out over a period of ten years. After ten years, trade in textiles and apparel will be fully governed by GATT rules and disciplines.

However, developed countries have wide discretion in how the Agreement is implemented. These countries will likely come under heavy protectionist pressure from their domestic industries and because of the way the Agreement is structured, products of most interest to developing countries may not benefit from the MFA phase-out until the next century.

There are two aspects to the phase-out of the MFA: integration and quota growth. "Integration " refers to the percentage of imports that are subject only to bound tariffs. No quantitative import restrictions can apply to "integrated" products. "Quota growth" refers to the increase in quotas for products that have not yet been "integrated."

Integration. The Agreement prescribes a four-stage process under which fixed percentages of textile and apparel trade must be integrated into the GATT (Table 1). For "integrated" products, no quantitative import restrictions will apply and the products will be subject only to bound tariffs. For example, 16 percent of the total volume of 1990 imports must be integrated into the GATT immediately upon implementation of the Agreement. At the beginning of the 10th year (121st month), all textile and apparel products must be integrated and any remaining MFA restrictions must be abolished.

Table 1: Quota Integration

Stage	Implementation Period	Increase in the Volume of Imports Integrated (Percent)	Cumulative Volume of Imports Integrated (Percent)
I	Implementation of Uruguay Round	16	16
II	36th Month	17	33
III	85th Month	18	51
IV	121st Month	49	100

However, the integration percentages refer to all textile and apparel products, not just to those subject to MFA quotas. If, for example, 16 percent of an importing country's 1990 imports are unrestricted by MFA quotas, that country could meet the terms of the Agreement in Stage I without eliminating any quotas.[1] This is very likely to happen since importing countries can

[1] Products which are selected for integration must come from an Annex to the Agreement. This Annex is very detailed and includes many products that are not currently subject to MFA restrictions in most importing countries, e.g. parachutes and woven seat belt material.

determine, without consultation or multilateral review, which products will be integrated first and since the selection process will likely be heavily influenced by their domestic industries. There is so much flexibility in the integration process that the United States might not need to integrate sensitive products until the year 2005.[2] The same is true for the European Union. Thus, it is possible that no MFA quotas will be eliminated during the early years of the Agreement.

Quota Growth. For products still subject to quotas during the phase-out period, quotas are to be increased in three stages (Table 2). The Agreement uses a "growth on growth" formula for increasing quota growth rates. In other words, the percentages prescribed in the Agreement do not refer to actual quota growth rates, but to increases in growth rates. These increases will be applied to those negotiated in existing bilateral MFA agreements.

Table 2: Quota Growth -- Example of Indonesian Cotton Dress Quotas in the U.S.

Year	Stage	Growth on Growth	Quota Rate of Growth with GATT Agreement	Quota with GATT Agreement	Quota with MFA Agreement*	Increase of GATT over MFA
		(Percent)		(1000 Square Meter Equivalents)		(Percent)
Base			6.0	16096	16096	0.0
1995	I	16	7.0	17216	17062	0.9
1996	I	16	8.1	18606	18085	2.9
1997	I	16	9.4	20349	19171	6.1
1998	II	25	11.7	22731	20320	11.9
1999	II	25	14.6	26057	21540	21.0
2000	II	25	18.3	30824	22832	35.0
2001	II	25	22.9	37871	24202	56.5
2002	III	27	29.0	48869	25655	90.5
2003	III	27	36.9	66890	27194	146.0
2004	III	27	46.8	98219	28825	240.7

*Based on the 6 percent annual increase contained in Indonesia's existing bilateral MFA with the U.S. and assuming that there is no change in Indonesia's base quota (1993/94) before implementation of the Uruguay Round.

For example, the MFA growth rate for most Indonesian quotas in the U.S. market is six percent. During Stage I of the GATT Agreement (through the 36th month), this growth rate will be increased by 16 percent annually -- from 6 percent to 7 percent in 1995, to 8.1 percent in 1996, and to 9.4 percent in 1997. During Stage II, the quota growth rate will increase by 25 percent annually.

[2] In the United States, textile and apparel producers are represented by the Industry Sector Advisory Committee on Textiles and Apparel (ISAC-15). In testimony before the U.S. Congress, the ISAC-15 has stated that product integration should apply first to the least sensitive products.

As a result of the "growth on growth" formula, most of the benefits from quota expansion occur late in the Agreement, i.e. the benefits are "backloaded." For example, most Indonesian quotas in the U.S. market will only be 21 percent higher after the fifth year of the Agreement. After the ninth year, they will be nearly 150 percent higher (Table 2).

Quota growth rates in MFA agreements are negotiated bilaterally between importing and exporting countries. Usually, small exporters benefit from high growth rates, while growth rates for large exporters are zero or very low. For example, the growth rates for Singapore quotas in the U.S. market are zero for many product categories, but the quotas are quite large. During the phase-out of the MFA, therefore, there will be no increase in Singapore quotas and Singapore will only benefit from integration at the end of the phase-out period. In contrast and as illustrated above, Indonesia will benefit immediately from small increases in quota growth rates.

Increased Trade Disputes

The Agreement could lead to increased trade tensions because of: 1) safeguard measures that permit importers to temporarily increase protection; and 2), new obligations that require exporters to prevent circumvention of the Agreement. Although a new *Textiles Monitoring Body (TMB)* under the World Trade Organization will monitor disputes, importing countries are likely to decide unilaterally when safeguard actions should be taken and whether exporting countries are meeting their obligations under the Agreement.[3]

Safeguards. The Agreement permits importing countries to initiate safeguard actions against a sudden surge in imports if these imports cause, or threaten to cause, serious damage to their domestic textile industries. Although the Agreement lays out some procedures for imposing safeguards, importing countries are permitted considerable leeway on when safeguard actions can be taken. Thus, if the MFA phase-out is indeed effective at expanding developed country imports of textiles and apparel, an increase in safeguard actions can be expected in order to maintain protection for their domestic industries.

A country that is considering safeguards must consult with the affected exporting countries and notify the TMB. If the affected parties are unable to reach agreement within sixty days, safeguards can be imposed unilaterally by the importing country. Safeguards include tariff increases and adjustments to import quotas. But safeguards cannot reduce imports below those in a recent representative period and quotas cannot be introduced on products that have been integrated into the GATT. Safeguards are also temporary and must be progressively removed within three years.

Actual decisions on safeguards will continue to be determined by national legislation in each importing country. This legislation is different in each country, but will contain definitions of "import surge" and "serious damage" to domestic industries. In the United States, increased imports equaling one percent of domestic production will likely serve as the trigger point for safeguards. An inter-agency committee on textiles will likely determine when increased imports threaten serious damage to domestic industries.

[3] In its Congressional testimony, the ISAC-15 also stated that the United States should establish clear administrative procedures to facilitate the use of safeguards and that it should strictly enforce all MFA agreements.

Exporter Obligations. Exporters are to assume greater responsibility for preventing illegal activities that circumvent the Agreement, e.g. false labeling and illegal transshipments. Among other things, exporters must establish legal and administrative procedures for taking action against illegal activities and cooperate with importers in the investigation of such activities. Fraudulent shipments can be denied entry by the importing country. If the goods have already entered, quota adjustments can be made to reflect the true country of origin.

This part of the Agreement could lead to some reduction in Indonesian exports. The likelihood of this depends on the attitude of importing countries toward enforcement of the Agreement and the degree to which Indonesian exports are shipped illegally to quota countries. Any impact would likely be indirect, however, since action would most likely be taken against the transshipment country, rather than Indonesia. The consequences, however, would be the same, i.e. a reduction in Indonesian exports.

The United States pressed hard for new obligations on exporters and is likely to strictly enforce this part of the Agreement. Reportedly, the United States was even drafting a policy which would prohibit entire categories of imports from countries that do not cooperate with U.S. Customs investigations. "Cooperation" would require that exporting countries permit U.S. Customs teams to conduct "surprise" inspections of trade documents and manufacturing facilities in exporting countries without advance notice. This policy was under consideration because of suspected large, illegal transshipments through the United Arab Emirates (UAE) and some Latin America countries. The UAE, which is not a member of the MFA, has been accused of re-labeling and illegally exporting of textiles produced in other countries.

The extent to which Indonesian exports are shipped illegally to quota markets is impossible to estimate but could be significant. Many of Indonesia's quotas are now filled and the growth in Indonesian exports has favored non-quota countries. Between 1988 and 1992, for example, exports to non-quota markets increased by $2.9 billion, compared with $1.8 billion for quota markets (Appendix Tables 5 and 6). As a result, *non-quota markets now account for more than 50 percent of Indonesian exports.* Other Asian countries, particularly Singapore and Hong Kong, are Indonesia's most important non-quota markets. Indonesia also exports to The United Arab Emirates. It may be the case that after Indonesia's quotas were filled, Indonesian exporters relied increasingly on transshipments to expand sales.[4]

Implications for Indonesian Quota Allocations

It is still too early to determine the implications of the MFA phase-out for quota allocations in Indonesia. First, there is considerable uncertainty about which markets will open up first since developed countries have not yet submitted their product lists for integration.[5] The

[4] The European Union has signed an agreement that allows ASEAN countries to swap quotas and which would legalize transshipment of Indonesian exports through other ASEAN countries. It should be stressed that it is not unusual for an exporting country at Indonesia's stage of development to search for sales in non-quota markets after its MFA quotas are filled. This, in itself, is not of proof of illegal activity.

[5] Short-term trade distortions are likely to remain significant since developed countries can maintain widely differing policies on similar products, ranging from strict quota limitation to full integration. One element of discrimination, however, will be eliminated. For integrated products, an importing country must eliminate all MFA quotas. That is, a product from one exporting country cannot be subject only to tariffs while the same product from another exporter is subject to quantitative restrictions.

United States, for example, may not announce its list until six months before implementation of the Uruguay Round. Second, and perhaps more importantly, quota growth rates are to be based on the bilateral MFA agreements in effect when the Uruguay Round is implemented. A number of these agreements must be renegotiated prior to implementation, including Indonesia's bilateral with the United States which expires on 1 July 1994. The renegotiated agreements might, for some countries, result in lower growth rates and even smaller base quantities than those in current agreements.[6]

Indonesia has bilateral MFA agreements with the United States, European Union, Canada and Norway. Of these agreements, the most important are those with the United States and European Union (Appendix Tables 1 and 2). Indonesia holds some of its largest, and most valuable, quotas in these two markets. Many of these quotas are for sensitive products which are now filled. As discussed earlier, sensitive products are likely be the last to be integrated into the GATT.[7]

In the short-run, therefore, Indonesia is likely to benefit only from the expansion of existing MFA quotas. This expansion, although small during the early years of the Agreement, will lead to increased export opportunities not only for Indonesian producers, but also for producers in other developing countries. *In order for Indonesian producers to take advantage of these opportunities, it is important that Indonesia's quota allocation system be transparent and that unused quotas be allocated quickly to those producers who are able to export.*[8] *It may also be necessary to change the distribution of KT and KS quotas and to allocate some of the quota increases to large-scale exporters rather than reserving them for cooperatives and exporters from weak economic groups.*

Over the longer term, phase-out of the MFA will eliminate the need for a quota allocation system in Indonesia. Nevertheless, beneficiaries of the current system, particularly those unable to compete on world markets, are likely to press the government for some type of export control. *Once all MFA quotas are eliminated, continued export controls would depress domestic margins at the very time that margins are being squeezed internationally by increased competition. Thus, export controls could severely limit the growth of Indonesian exports and should be resisted.*

Implications for the Indonesian Textile and Apparel Industries

The expansion, and eventual elimination, of quotas is a mixed blessing for Indonesian textile and apparel manufacturers. Some manufacturers have world-class operations and will benefit from expanding sales in developed countries even as per-unit profits fall because of lower

[6] Critics argue that developed countries will further reduce the benefits of MFA phase-out when they renegotiate those bilateral agreements that expire before implementation of the Uruguay Round.

[7] In the European Union (EU), the elimination of GSP tariff preferences could offset the benefits of MFA phase-out and could be more important to Indonesia in the short-run. There is considerable political pressure in the EU to eliminate some GSP tariff preferences because of expanding textile and apparel imports from countries with close political ties to the EU. These include the former colonies in North Africa and the Caribbean and the countries of Eastern Europe. Although GSP is not an advantage, *per se*, it does place Indonesia on the same level as other developing countries with preferential access to the EU market.

[8] Exporters still complain that there is considerable uncertainty about the reallocation of unused quotas and that delays cause them to lose export sales.

quota rents. Other manufacturers, and there are a significant number in the apparel industry, will face increased competition due to the expansion of quotas for other nations with similar or lower labor costs. These manufacturers may suffer lost sales, as well as lost quota rents.

Phase-out of the MFA will also accelerate many changes that are already occurring in the global market. These changes place a premium not only on low labor costs, but also on meeting buyers preferences for short delivery times and small job orders with more styles. Government policies that contribute indirectly to increased delivery times or otherwise increase costs of production are likely to be even more detrimental to the competitiveness of Indonesia's textile and apparel industries in the future.

Apparel. Producers for the high-end apparel market will likely benefit from quota expansion and will likely remain profitable despite an erosion of quota rents (Table 3). Producers for the middle and low-ends of the market, on the other hand, will suffer from increased competition from producers in lower-wage countries. These segments of the industry will require restructuring to move up-scale if they are to remain competitive. Otherwise, the loss of quota rents may cause some firms to exit the industry.

As noted earlier, *low wages are not the only factor that will determine future competitiveness. The international apparel market is changing to include more direct sales to smaller buyers, smaller job orders with an increased number of styles, and increased emphasis on timely delivery of product. Currently, lead times of three months between order and delivery are normal. In the near future, lead times will decline to six weeks and even shorter periods will be preferred.*

For the typical manufacturer involved only in garment production, raw materials and overhead (including the cost of meeting government regulations) can exceed 75 percent of total production costs. Government policies can have a significant impact on both of these cost components. Factors that raise overhead costs include inefficiencies in trade administration such as delays in VAT rebates and duty drawbacks, delays in customs clearance, and difficulties in obtaining duty drawbacks by indirect exporters. Such inefficiencies also increase delivery times by making manufacturers less willing to stock raw materials.

Protection of upstream industries has led to high cost raw materials on Indonesia's domestic market and to a dualistic structure in which some firms produce primarily for the domestic market and others produce primarily for export.[9] Exporters often source most of their inputs overseas because of the high cost of domestic raw materials and because domestic suppliers are unwilling to deal in the small lot sizes required in export manufacturing. However, sourcing overseas adds to transportation costs and can add several weeks to delivery times. Furthermore, the contribution of exporting firms to the Indonesian economy is limited primarily to labor value-added. This value-added is relatively low because of the low-skill levels needed for garment production.

[9] Indonesia's large domestic market should be advantageous to export development since it permits returns to scale in marketing, greater flexibility in scheduling inventories, and often more stable production schedules.

Table 3: Implications of GATT for the Indonesian Apparel Sector

Firm Description	Products Produced and Material Sourcing	Marketing Channels	Comments and Evaluation
High-end Market (Perhaps 25% of Indonesian firms)	Produce complex garments with many pieces, such as ski jackets, blazers. Require high-end fabrics and other component materials. Would likely move toward more complicated products in order to maintain profits.	Market direct on a job order basis. May maintain sales office in Hong Kong or other textile centers. Moving toward small lots with more styles. Productivity is relatively high. Clientele include Liz Claiborne, Eddy Bauer, Land's End and similar wholesalers.	Will be less threatened by production in lower-wage countries, will benefit from quota expansion, and will likely remain competitive.
Middle Market (Perhaps 45% of Indonesian firms)	Less ability to compete in the production of high-end and complex garments. Tend to produce mid-range apparel with mid-quality inputs.	Mostly market direct. Less able to meet demands for small lots with several styles. Clients include Sears, Penneys and larger regional wholesalers.	Will face increased pressure from producers in other countries. Because of increased wage costs, must move toward greater value added. Continued profitability and expansion will require innovation.
Low-end Market (Perhaps 30% of Indonesian firms)	Assemble only simple garments, such as underwear, T-shirts, and jeans. Use lower quality fabrics and other materials.	Market direct to some firms, but depend mostly on trading companies and sales agents in textile centers. Deal in large order lots with few styles. Clients include Wal-Mart, K-Mart and regional discounters.	Will face increased pressure from countries like Bangladesh and others where wages are lower but skills are as high as in Indonesia. Loss in quota rents may cause firms to exit the industry.

Textiles. The global market for textiles has several characteristics which are very different than for apparel. These differences become more pronounced as one moves upstream from fabric to yarn to fiber. Returns to scale are higher as one moves upstream and thus, the industry becomes more capital intensive and requires a higher level of technology for entry and competitiveness. Production also tends to be concentrated in a smaller number of vertically integrated firms. Because of these factors, the newly industrialized countries of Taiwan and South Korea, as well as Japan and other developed countries, have maintained highly efficient industries that can compete on world markets.

Indonesia has made great progress at improving the quality of its textiles and at increasing value added. Consequently, its textile exports, particularly fabrics, have expanded nearly as fast as garment exports in recent years. However, the implications of MFA phase-out are more difficult to predict for textiles. Labor costs are a less important determinant of competitiveness and producers in developed countries will continue to be protected by high tariffs, even after the phase-out of the MFA. In the United States, for example, textile tariffs are twice those of other manufactured goods. Also, it appears that a significant portion of Indonesia's fabric exports are transshipped through Singapore to other non-quota markets in Asia and the Middle East. Export sales to non-quota countries will benefit from the MFA phase-out only if these countries expand their garment exports to the developed countries using Indonesian raw materials.

Two factors may limit Indonesia's ability to respond to increased export opportunities as a result of the MFA phase-out. First, high effective protection for finished textiles perpetuates the dualistic structure mentioned earlier at the very time when improved linkages between upstream and downstream industries will be necessary to maintain Indonesia's competitiveness on world markets.[10] This is particularly the case given the increased emphasis on short delivery times and greater flexibility in styling.

Second, the raw material base for the production of textile fibers is relatively undeveloped in Indonesia. This is likely to remain the case for natural fibers since cotton production in Indonesia is very limited. However, the international market is moving towards synthetics. Indonesian should have a comparative advantage in synthetic fibers because of it's relative abundance of oil (the raw material for nylon and polyester) and wood pulp (the raw material for rayon). Although Indonesia's petrochemical industry is still in its infancy, new plants for the production of ethylene glycol and purified terephthalic acid (raw materials in polyester) have recently come on-board.[11]

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[10] For example, tariffs on synthetic fibers are 15 percent, while tariffs on textiles made from synthetics escalate to 30 percent.

[11] In the developed countries, synthetics are a captive market for petrochemical companies and are often produced in vertical operations. The petrochemical industries in these countries conducted the research and held the original patents on synthetics. Until recently, Pertamina was the only producer of purified terephthalic acid in Indonesia.

APPENDIX TABLES
MFA Quotas and Indonesian Textile Trade

Indonesia's Quota Growth Under GATT. Indonesia's most important MFA agreements are with the United States and European Union (Appendix Tables 1 and 3). Under the Uruguay Round Agreement, the quota growth rates in these MFA agreements are to be increased by fixed percentages. The resulting increases in Indonesia's quotas are illustrated in Appendix Table 2 for Group I quotas in the United States and Appendix Table 4 for the European Union. The quotas in the tables are not projections of actual Indonesian exports. MFA quotas for all countries will increase as a result of the Uruguay Round Agreement and neither the U.S. nor European Union markets could absorb the quantity of imports suggested. It is likely that at some time in the next century, most MFA quotas will become non-binding and further increases will have no impact on trade.

The estimates of quota growth illustrate the extent of backloading in the Agreement. For example, U.S. Group I quotas grow slowly from 400 million square meter equivalents (sme) to 800 million sme in the first five years of the Agreement, but then increase to almost 5 billion sme over the next five years (See final row of Appendix Table 2). At current prices, the trade value of Group I quotas would grow from about US$1 billion in 1995 to almost US$2 billion in year 2000 and to almost US$11 billion in year 2005.

Appendix Table 1:
Indonesian MFA Quota Allotments and MFA Exports of Textiles and Apparel to the United States, 1992
(1000 Square Meter Equivalents)

Code #	Description	Base Level	Adjusted Level	Imports Charged	Percent Filled
219	Duck Fabric	6,426.2	4,307.0	2,864.1	66.5
225	Blue Denim Fabric	4,500.0		4,485.9	99.7
300/301	Card./Comb. Cotton Yarn	23,375.0	26,413.8	26,413.8	100.0
313	C. Sheet. Fabric.	11,660.3	11,975.0	11,975.0	100.0
314	C. POP./Broadcloth	40,714.7	45,711.7	40,653.1	88.9
315	C. Print Cloth Fabric.	18,500.0		18,500.0	100.0
317/617/326	C./MMF Twills, satins, sateens	17,868.3	17,824.5	17,824.5	100.0
331/631	C. & MMF gloves & Mittens	4,758.5	3,740.1	3,740.1	100.0
334/335	W&G C. coats	5,187.5	6,466.3	6,464.4	100.0
336/636	C.& MMF dresses	15,160.0	18,646.8	16,529.4	88.6
338/339	C. knit shirts & blouses	4,872.0	6,236.2	5,901.3	94.6
340/640	M&B C. & MMF, non-knit shirts	20,100.0	24,863.7	24,863.7	100.0
341	W&G C. shirts/blouse non-knit	7,277.6	9,222.4	9,222.4	100.0
342/642	C.& MMF skirts	3,725.0	4,097.5	3,840.5	93.7
345	C. sweaters	8,956.5	9,404.3	7,959.4	84.6
347/348	C. trousers/slacks & shorts	16,390.0	18,967.7	18,967.7	100.0
351/651	C & MMF nightwear & pj	14,137.5	16,682.3	16,682.3	100.0
359c/659c	Overalls, coveralls	9,595.0	7,575.0	2,647.0	34.9
359s/659	Swimwear	11,800.0	7,120.0	2,998.0	42.1
369s	Shop towels	5,217.7	5,896.0	5,719.9	97.0
443	M&B suits, wool	300.8	327.7	324.1	98.9
445/446	All wool sweaters	664.7	313.3	189.3	60.4
604a	Acrylic spun, yarn only	3,628.5	2,419.7	1,762.2	72.8
611	Woven fabric>/85%, Art. Staple	4,240.3		4,240.3	100.0
613/614/615	MMF sheeting pop. & B'dcloth	16,950.0	19,153.5	18,589.2	97.1
618	Woven art. filament fabric	4,000.0		927.7	23.2
619/620	Other syn. filament fabric	6,200.0		4,866.4	78.5
625/6/7/8/9	Other. MMF fabric of Stap./Fl	18,971.7	18,697.8	17,839.1	95.4
634/635	W&G MMF coats	6,900.0	7,866.0	7,337.0	93.3
638/639	MMF Knit shirts & blouses	13,520.0	14,679.7	14,244.0	97.0
641	W&G n-knit shirts and blouses	18,448.9	18,457.4	18,457.4	100.0
645/646	MMF sweaters	16,209.1		14,723.5	90.8
647/648	MMF trousers/slacks & shorts	32,485.9	34,950.1	34,244.1	98.0
847	Trousers etc., Silk & Vegetable	4,104.5	4,556.0	3,948.7	86.7
600	Textile filament yarn	4,875.0		577.1	11.8
669p	Woven M-MMF bags	14,400.0		7,348.9	51.0
670l	Luggage	3,700.0		1,348.3	36.4
Specific Limits					
Group II		62,000.0	64,121.9	42,474.2	66.2
350/650	C. & MMF robes, dress. gowns	2,466.9	2,910.9	2,292.3	78.8
Group III		2,400.0	2,664.0	1,953.6	73.3

Note: The system used by the United States is more comprehensive and carefully defined than those of the other countries. Bilateral agreements establish base levels of allotted imports, which may be adjusted to reflect carry-in from the previous year, "swing" or transfers across categories, and transfers from the current year to the following year, or carryout. The “adjusted level” in the above table reflects adjustments for carryover, carry out and swing across categories.

Appendix Table 2: Projected Growth of Indonesian Quotas in the United States (1000 Square Meter Equivalents)

		Base	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Code #	Description	Growth	6.96%	8.07%	10.09%	12.62%	15.77%	19.71%	25.03%	31.79%	40.38%	51.28%	65.12%
219	Duck Fabric	6,426	6,873	7,428	8,178	9,210	10,662	12,764	15,959	21,032	29,524	44,663	73,749
225	Blue Denim Fabric	4,500	4,813	5,202	5,727	6,449	7,466	8,938	11,175	14,728	20,674	31,276	51,643
300/301	Card./Comb. Cotton Yarn	23,375	25,002	27,020	29,747	33,500	38,783	46,427	58,049	76,504	107,392	162,460	268,257
313	Cotton Sheet. Fabric.	11,660	12,472	13,479	14,839	16,711	19,346	23,159	28,957	38,163	53,571	81,041	133,816
314	Cotton POP./Broadcloth	40,715	43,548	47,064	51,814	58,350	67,552	80,867	101,110	133,255	187,057	282,974	467,251
315	Cotton Print cloth Fabric.	18,500	19,788	21,385	23,543	26,513	30,694	36,744	45,942	60,548	84,995	128,578	212,310
317/617/326	Cotton/MMF Twills, Satins Sateens	17,868	19,112	20,655	22,739	25,608	29,646	35,490	44,374	58,481	82,093	124,188	205,061
331/631	Cotton & MMF Gloves & Mittens	4,759	5,090	5,501	6,056	6,820	7,895	9,451	11,817	15,574	21,862	33,072	54,610
334/335	W&G Cotton coats	5,188	5,549	5,997	6,602	7,435	8,607	10,303	12,883	16,978	23,833	36,054	59,533
336/636	Cotton & MMF dresses	15,160	16,215	17,524	19,293	21,727	25,153	30,110	37,648	49,617	69,650	105,364	173,980
338/339	Cotton knit shirts & Blouses	4,872	5,211	5,632	6,200	6,982	8,083	9,677	12,099	15,945	22,384	33,861	55,912
340/640	M&B Cotton & MMF, Non-Knit Shirts	20,100	21,499	23,235	25,580	28,806	33,349	39,922	49,916	65,785	92,346	139,698	230,672
341	W&G Cotton Shirts/Blouse N-knit	7,278	7,784	8,413	9,262	10,430	12,075	14,455	18,073	23,819	33,436	50,580	83,519
342/642	Cotton & MMF skirts	3,725	3,984	4,306	4,740	5,339	6,180	7,399	9,251	12,191	17,114	25,889	42,749
345	Cotton sweaters	8,957	9,580	10,353	11,398	12,836	14,860	17,789	22,242	29,314	41,149	62,249	102,787
347/348	Cotton trousers/slacks & shorts	16,390	17,531	18,946	20,858	23,489	27,193	32,553	40,703	53,643	75,301	113,913	188,095
351/651	C & MMF nightwear & pj	14,138	15,121	16,342	17,992	20,261	23,456	28,080	35,109	46,270	64,952	98,258	162,245
359c/659c	Over. & coveralls	9,595	10,263	11,091	12,211	13,751	15,919	19,057	23,828	31,403	44,083	66,687	110,114
359s/659	Swimwear	11,800	12,621	13,640	15,017	16,911	19,578	23,437	29,304	38,620	54,213	82,012	135,419
369s	shop towels	5,218	5,581	6,031	6,640	7,478	8,657	10,363	12,957	17,077	23,972	36,264	59,879
443	M&B suits, wool	301	322	348	383	431	499	597	747	984	1,382	2,091	3,452
445/446	all wool sweaters	665	711	768	846	953	1,103	1,320	1,651	2,176	3,054	4,620	7,629
604a	Acrylic spun, yarn only	3,628	3,881	4,194	4,618	5,200	6,020	7,207	9,011	11,876	16,670	25,218	41,641
611	Woven Fabric>/85%, Artif Staple	4,240	4,535	4,902	5,396	6,077	7,035	8,422	10,530	13,878	19,481	29,471	48,663
613/614/615	MMF sheeting/POP. & Broadcloth	16,950	18,130	19,593	21,571	24,292	28,123	33,666	42,093	55,475	77,874	117,805	194,522
618	Woven Artificial Filament Fabric	4,000	4,278	4,624	5,090	5,733	6,637	7,945	9,934	13,092	18,377	27,801	45,905
619/620	Other synthetics. Filament Fabric	6,200	6,632	7,167	7,890	8,886	10,287	12,314	15,397	20,292	28,485	43,091	71,153
625/6/7/8/9	Other. MMF Fabric of Staple/Fl	18,972	20,292	21,930	24,144	27,189	31,477	37,681	47,114	62,092	87,162	131,856	217,724
634/635	W&G MMF coats	6,900	7,380	7,976	8,781	9,889	11,448	13,705	17,135	22,583	31,701	47,956	79,186
638/639	MMF knit shirts & blouses	13,520	14,461	15,629	17,206	19,376	22,432	26,853	33,575	44,249	62,115	93,966	155,159
641	W&G Not-knit shirts and blouses	18,449	19,733	21,326	23,478	26,440	30,609	36,643	45,816	60,381	84,760	128,223	211,724
645/646	MMF sweaters	16,209	17,337	18,737	20,628	23,230	26,893	32,194	40,253	53,051	74,470	112,656	186,020
647/648	MMF trousers/slacks & shorts	32,486	34,747	37,552	41,342	46,557	53,899	64,523	80,675	106,323	149,251	225,783	372,816
847	trousers/breeches/shorts, Silk & Vegetable	4,105	4,390	4,745	5,223	5,882	6,810	8,152	10,193	13,434	18,858	28,527	47,104
600	Text. Filament yarn	4,875	5,214	5,635	6,204	6,987	8,088	9,683	12,106	15,955	22,397	33,882	55,947
669p	Woven M-MMF bags	14,400	15,402	16,646	18,326	20,637	23,892	28,601	35,761	47,130	66,158	100,082	165,258
670l	Luggage	3,700	3,958	4,277	4,709	5,303	6,139	7,349	9,188	12,110	16,999	25,716	42,462
Total		419,821	449,041	485,295	534,271	601,669	696,544	833,840	1,042,574	1,374,027	1,928,798	2,917,826	4,817,965

Appendix Table 3:
MFA Quota Allotments for Indonesian Exports of Textiles and Apparel to the European Union

Category	Description	Growth	Unit	1993	1994	1995
1	Cotton yarn, not for retail sale	3.0%	Tons	13800	14214	14640
2	Woven fabrics of cotton, other than gauze, terry fabric, narrow woven fabrics, pile fabrics, chenille fabrics, tulle and other net fabrics	4.0%	Tons	18110	18834	9588
2a	Other than unbleached or bleached	4.0%	Tons	6740	7010	7290
3	Woven fabrics of synthetic fibers (discontinuous or waste) other than narrow woven fabrics, pile fabrics (including terry fabrics) and chenille	5.0%	Tons	14006	14706	15442
3a	Other than unbleached or bleached	5.0%	Tons	7461	7834	8226
4	Shirts, T-shirts, lightweight fine knit roll, pullovers (others than of wool or fine animal hair), undervest and the like, knitted or crocheted	4.0%	1000 Pieces	30450	31668	32935
5	Jerseys, pullovers, slipovers, waistcoats, twinsets, cardigans, bed-jackets and jumpers (other than jackets and blasers), anoraks, windcheaters, waister jackets and the like, knitted or crocheted	6.0%	1000 Pieces	22331	23671	25091
6	(Including slacks); women's and girl's woven trousers and slacks, of wool of cotton or man-made fibers; lower parts of tracksuits with lining, other than category 16 or 29	6.0%	1000 Pieces	7866	8338	8838
7	Women or girl blouses, shirts and shirt-blouses, whether or not knitted or crocheted, of wool, cotton or man-made fibers	6.0%	1000 Pieces	6016	6377	6760
8	Men's or boy shirts, other than knitted or crocheted, of wool cotton or man-made fibers	6.0%	1000 Pieces	9648	10227	10840
21	Parkas, anoraks, windcheaters, waist jackets and the like, other than knitted or crocheted, of wool, of cotton or man-made fibers; upper parts of tracksuits with lining, other than category 16 or 29, of cotton or of man-made fibers	3.0%	1000 Pieces	25411	26204	26990
35	Woven fabrics of synthetic fibers (continuous), other than those of category 114	6.0%	1000 Pieces	13200	13926	14692

Note: The MFA scheme used by the EU has a simpler set of categories than in the U.S., but contains a complex mechanism (called the "basket extractor") that is used to trigger consultations and the application of quotas. This system has been superseded by quotas that are applicable to the entirety of the EU, rather than to individual countries. Theoretically, at least, imports can now enter at any EU port and be counted toward the EU quota.

Appendix Table 4: Projected Growth in Indonesian Quotas in the European Union*

Category	Growth	Unit	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
1	3.00%	Tons	15835	15302	16019	16957	18197	19862	22169	25439	30204	37391
2	4.00%	Tons	21732	20769	22065	23787	26108	29292	33828	40482	50594	66644
2a	4.00%	Tons	8089	7730	8213	8854	9717	10902	12591	15067	18831	24805
3	5.00%	Tons	17569	16606	17902	19648	22044	25404	30322	37777	49573	69230
3a	5.00%	Tons	9359	8846	9536	10467	11743	13533	16153	20124	26408	36880
4	4.00%	1000 Pieces	36541	34921	37101	39997	43899	49252	56880	68067	85070	112057
5	6.00%	1000 Pieces	29267	27363	29925	33428	38320	45330	55860	72340	99445	146766
6	6.00%	1000 Pieces	10309	9638	10541	11775	13498	15967	19676	25482	35029	51698
7	6.00%	1000 Pieces	7885	7372	8062	9006	10324	12212	15049	19489	26791	39539
8	6.00%	1000 Pieces	12645	11822	12929	14443	16556	19585	24134	31254	42965	63410
21	3.00%	1000 Pieces	29192	28211	29532	31260	33547	36616	40869	46897	55683	68931
35	6.00%	1000 Pieces	17218	16098	17605	19666	22544	26668	32863	42559	58505	86345

* Based on the assumption that 25 percent of Indonesian exports to the European Union are quota items.

Appendix Table 5. Indonesian Textile Exports by Destination ($US1000)

Year	1988	1989	1990	1991	1992
Quota Markets					
US	$472,163	$640,893	$708,226	$671,905	$997,857
EU	$379,994	$541,469	$915,321	$1,294,637	$1,624,668
Canada	$33,555	$50,215	$57,182	$58,468	$75,783
Sweden	$17,833	$18,196	$21,037	$25,162	N/A.
Norway	$4,117	$4,178	$6,192	$5,921	$5,397
Quota Total	$907,662	$1,254,951	$1,707,958	$2,056,093	$2,703,705
Percent of Total	63.6	61.8	58.5	50.5	44.0
Non-Quota Markets					
Sweden	N/A.	N/A.	N/A.	N/A.	$23,640
ASEAN	$176,671	$288,517	$497,819	$819,865	$1,435,423
Singapore			$416,081	$726,397	
Other Asia	$133,346	$172,768	$235,363	$368,604	$541,473
Hong Kong			$92,480	$144,270	
Japan			$139,202	$213,801	
Australia	$31,519	$48,920	$60,155	$70,541	$88,727
Middle East	$94,917	$169,442	$279,905	$480,249	$717,690
U.A.E.			$60,330	$167,995	
Saudi Arabia			$166,113	$288,506	
Other	$83,887	$97,672	$136,283	$280,001	$631,237
Non-Quota Total	$520,340	$777,319	$1,209,525	$2,019,260	$3,438,190
Percent of Total	36.4	38.2	41.5	49.5	56.0
All Destinations	$1,428,002	$2,032,270	$2,917,483	$4,075,353	$6,141,895

Appendix Table 6. Indonesian Textile Exports Shares by Destination.

Year	1988	1989	1990	1991	1992
Quota Markets					
US	52.0%	51.1%	41.5%	32.7%	36.9%
EU	41.9%	43.1%	53.6%	63.0%	60.1%
Canada	3.7%	4.0%	3.3%	2.8%	2.8%
Sweden	2.0%	1.4%	1.2%	1.2%	0.0%
Norway	0.5%	0.3%	0.4%	0.3%	0.2%
Quota Total	100.0%	100.0%	100.0%	100.0%	100.0%
Non-Quota Markets					
Sweden	0.0%	0.0%	0.0%	0.0%	0.7%
ASEAN	34.0%	37.1%	41.2%	40.6%	41.7%
Other Asia	25.6%	22.2%	19.5%	18.3%	15.7%
Australia	6.1%	6.3%	5.0%	3.5%	2.6%
Middle East	18.2%	21.8%	23.1%	23.8%	20.9%
Other	16.1%	12.6%	11.3%	13.9%	18.4%
Non-Quota Total	100.0%	100.0%	100.0%	100.0%	100.0%

Appendix Table 7. Indonesian Textile and Apparel Exports.

	Fabric	Garment	Other	Total
		(US$ Million)		
1980	$30.1	$97.2	$16.1	$143.4
1981	$26.9	$94.0	$6.0	$126.9
1982	$30.7	$103.9	$8.6	$143.2
1983	$90.2	$149.9	$33.5	$273.6
1984	$136.6	$268.1	$63.0	$467.6
1985	$149.9	$321.3	$70.3	$541.5
1986	$231.2	$469.5	$67.3	$767.9
1987	$302.1	$587.1	$136.0	$1,025.3
1988	$417.2	$769.9	$236.0	$1,423.1
1989	$595.7	$1,172.2	$254.3	$2,022.3
1990	$916.7	$1,657.3	$343.5	$2,917.5
1991	$1,296.3	$2,278.6	$435.5	$4,010.4
1992	$2,094.6	$3,188.6	$777.6	$6,060.8

Appendix Table 8. Indonesian Exports to Singapore and Hong Kong.

	1990		1991	
	Value	**Share**	**Value**	**Share**
		(US$1000)		
Singapore				
Fiber	$138	0.0%	$714	0.1%
Yarn	$5,916	1.4%	$21,647	3.0%
Fabric	$273,706	65.8%	$450,130	62.0%
Garment	$62,307	15.0%	$201,592	27.8%
Other	$74,013	17.8%	$52,314	7.2%
Total	$416,080	100.0%	$726,397	100.0%
Hong Kong				
Fiber	$826	0.9%	$288	0.2%
Yarn	$580	0.6%	$5,952	4.1%
Fabric	$43,638	47.2%	$84,818	58.8%
Garment	$4,365	4.7%	$10,806	7.5%
Other	$43,052	46.6%	$42,406	29.4%
Total	$92,461	100.0%	$144,270	100.0%